

Message Text

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ACTION XMB-07

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C O N F I D E N T I A L 12853

PASS EXIM

E O 11652: GDS

TAGS: EFIN, RP

SUBJ: MERALCO FOUNDATION ESTABLISHED

REF: MANILA 12145

1. PRESS HAS REPORTED ORGANIZATION OF MERALCO FOUNDATION. FOUNDATION WILL ACQUIRE MERALCO SECURITIES CORPORATION (MSC) SHARES HELD BY BENPRES CORPORATION, A LOPEZ FAMILY FOUNDATION. REPORTED PURPOSE OF NEW FOUNDATION IS TO SUPPORT SCIENTIFIC AND EDUCATIONAL RESEARCH AND TRAINING IN HUMANITIES AND NATURAL AND SOCIAL SCIENCES. BOARD CHAIRMAN AND PRESIDENT OF FOUNDATION IS SENEN J. GABALDON. OTHER MEMBERS OF BOARD ARE: MARERTO NEPOMUCENO-EXECUTIVE DIRECTOR, GENEROSO TANSECO, MARIO CAMACHO, CARLOS VALDEZ, MIGUEL CUADERNO AND ANDRES V. CASTILLO. THE LATTER ARE FORMER GOVERNORS OF PHILIPPINE CENTRAL BANK. CUADERNO WAS ALSO A DELEGATE TO THE PHILIPPINE CONSTITUTIONAL CONVENTION IN WHICH HE SUPPORTED THE PARLIAMENTARY FORM OF GOVERNMENT ADVOCATED BY DELEGATES SYMPATHETIC TO PRESIDENT MARCOS.

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2. MERALCO FOUNDATION WILL ALSO BE USED TO IMPLEMENT GOVERNMENT'S PLANS TO BROADEN OWNERSHIP BASE OF MSC. GOVERNMENT SOURCES STATE THAT APPROXIMATELY 50,000 MERALCO CUSTOMERS WHOSE MONTHLY ELECTRIC BILLS UP TO OCTOBER 1, 1973 HAVE NOT EXCEEDED PESOS 100 WILL BE ISSUED WARRANTS TO PURCHASE MSC SHARES. PAYMENT IS EXPECTED TO BE ENTIRELY OUT OF DIVIDENDS BUT DETAILS OF SCHEME APPARENTLY STILL TO BE WORKED OUT. ACCORDING TO MERALCO CHAIRMAN ABELLO, DISTRIBUTION OF THESE SHARES WOLL TAKE UP ABOUT 10 PERCENT OF SHARES TO BE ACQUIRED FROM BENPRES.

3. IMMEDIATE ECONOMIC IMPACT OF THIS EFFORT TO BROADEN MERALCO OWNERSHIP WILL BE INSIGNIFICANT. SHARES INVOLVED REPRESENT LESS THAN THREE PERCENT OF MERALCO OWNERSHIP. MOREOVER, MSC NOT NOW CAPABLE OF PAYING DIVIDENDS INTENDED TO FINANCE SHARE PURCHASE.

4. IMPLEMENTATION OF SHORE DISTRIBUTION SCHEME WILL LEAVE EFFECTIVE CONTROL AND ABOUT 25 PERCENT OF MSC SHARES WITH FOUNDATION. AFTER MERALCO IS PUT ON PROFITABLE BASIS AND SHARES ARE PAID FOR, FOUNDATION EXPECTED GENERATE CONSIDERABLE INCOME. AT PRESENT TIME NO CONCRETE INDICATION OF THE FOUNDATION'S PLANS IS AVAILABLE, ALTHOUGH VAGUE REFERENCES HAVE BEEN MADE TO PROJECTS SUPPORTED BY FIRST LADY.

5. FOUNDATION BOARD NOT EXPECTED BECOME INVOLVED IN MSC OR MANILA ELECTRIC AFFAIRS. WHILE PRESIDENT MARCOS AND SENIOR GOVERNMENT OFFICIALS WILL HAVE DECISIVE INFLUENCE OVER CORPORATION, DAY TO DAY OPERATIONS EXPECTED TO BE IN HADS OF NEW MSC/ MERALCO BOARD REPORTED REFTEL AND MANILA ELECTRIC STAFF. PRESS HAS RECENTLY REPORTED THAT MORE THAN 400 MERALCO EMPLOYEES AND EXECUTIVES HAVE TENDERED THEIR RESIGNATIONS, INCLUDING MEMBERS OF THE LOPEZ, MONTELIBANO AND LEDESMA FAMILIES AND RAMON MITRA, SR., ALBERTO PEDROSA AND RAMON ARENAS.

6. APPARENTLY IN RESPONSE TO EXPRESSIONS OF CONCERN
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THAT THE GOP MAY BE CONTEMPLATING PURCHASE OF SOME PRIVATE SECTOR COMPANIES, PRESS SECRETARY TATAD HAS STATED GOP WILL NOT ACQUIRE INTEREST IN MERALCO AND DOES NOT INTEND ACQUIRE INTEREST IN PHILIPPINE LONG DISTANCE TELEPHONE COMPANY, PHILIPPINE AIRLINES, ILIGAN STEEL OR OTHER IMPORTANT INDUSTRIES.
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